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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 2702
INFO RUEHAC/AMEMBASSY ASUNCION 6599
RUEHBO/AMEMBASSY BOGOTA 3920
RUEHBR/AMEMBASSY BRASILIA 7808
RUEHBU/AMEMBASSY BUENOS AIRES 5054
RUEHCV/AMEMBASSY CARACAS 2287
RUEHPE/AMEMBASSY LIMA 2387
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UNCLAS LA PAZ 000594

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STATE FOR WHA/AND LPETRONI
ENERGY FOR SDAY AND SLADISLAW
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A
TAGS: [EMIN](#) [EINV](#) [ECON](#) [PGOV](#) [BL](#)
SUBJECT: GOB, JINDAL ANNOUNCE GAS PRICE AGREEMENT

REF: LA PAZ 574

¶1. (U) Days of intense negotiations resulted March 1 in a final agreement on the price of natural gas (reftel) employed in the development of Mutun, one of the world's largest iron ore deposits. India's Jindal Steel and Power agreed to pay \$3.91 per million British thermal units (BTU) for gas used in exploration and exploitation activities and \$1.955 (half the above price) for gas used in a proposed thermoelectric power plant.

¶2. (U) Minister of Mining Jose Dalance noted that the average price weighted by volume (gas will be split 70/30 between exploration and power generation) would be \$3.32 per million BTU. The GOB and Jindal agreed to allow prices to fluctuate with international prices but left discussion of appropriate methodology for a later date.

¶3. (U) Comment: The two parties may have reached agreement on gas prices, but key issues remain unresolved, and the details of any final contract remain unclear. According to press reports, Jindal has 45 days in which to acquire local legal standing and fulfill other terms of its most recent "pre-agreement" with the GOB, including the presentation of some means of guaranteeing its intent to invest up to \$2.1 billion in the project. If past experience is any indication, however, the 45-day cut-off will likely slip by as quietly as earlier deadlines. End comment.
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